CITY OF FOLKSTON, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014

DONALD G. CREWS, CPA, PC
3924 MAIN STREET
FOLKSTON, GEORGIA 31537

City of Folkston, Georgia
Financial Statements
For the Fiscal Year Ended December 31, 2014

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INTRODUCTORY SECTION

CITY OFFICIALS

MAYOR
Lee Gowen

MAYOR PROTEM
Marion G. Davis, Jr.

COUNCIL
Johnny Milton, District 1A
Ruby Baker, District 1B
R. Greg Johnson, Jr., District 2A
Marion G. Davis, Jr., District 2B
Stanley Golaszewski, District At Large

CITY MANAGER
Leonard H. Lloyd

CITY CLERK
Darlene Williamson

CITY JUDGE
John B. Adams

POLICE CHIEF
Wesley Green

CITY ATTORNEY
J. Kelly Brooks

PUBLIC WORKS SUPERVISOR
Steven Lloyd

WATER/WASTEWATER SUPERVISOR
Theron Aldridge

FINANCIAL SECTION

DONALD G. CREWS, CPA, PC
3924 MAIN STREET
FOLKSTON, GEORGIA 31537
TELEPHONE (912) 496-2587

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of
The City of Folkston
Folkston, Georgia

Report on the Financial Statements
I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Folkston (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Folkston, Georgia, as of December 31, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is not a required part of the basic financial statements.

The schedule of special purpose local option sales tax expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 1, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Donald G. Crews, CPA

Donald G. Crews, CPA, PC
Folkston, GA
June 1, 2015

CITY OF FOLKSTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2014

Within this section of the City of Folkston, Georgia (the City) annual financial statements, management is pleased to offer readers this narrative overview and analysis of the financial activities of the City of Folkston, Georgia, for the fiscal year ended December 31, 2014. The information presented here should be used in conjunction with the additional information provided in this Annual Financial Report, which follows this section.

Financial Highlights:

The assets of the City exceeded its liabilities at December 31, 2014, by $8,727,713 (net position). Of this amount $2,079,888 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by $137,638.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $2,929,010, an increase of $83,840 in comparison with the prior year. Approximately 47% of this total amount $1,376,118, is available for spending at the City's discretion (unassigned fund balance).

As of the close of the current fiscal year, the City's business-type funds reported combined ending position of $5,798,703, an increase of $53,798 in comparison with the prior year. Approximately 12% of this total amount, $703,770 is available for spending at the City's discretion (unrestricted net position).

At the end of the current fiscal year, unassigned fund balance for the General Fund was a positive $756,300 or 42% of total General Fund expenditures.

During the current fiscal year the City did not issue new debt for the Governmental funds. The Business-type funds issued a new revenue bond for refinancing the old revenue bonds in the amount of $3,000,000. The Business-type funds had a reduction in debt service of $283,678.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Folkston's basic financial statements. The City's basic financial statements are comprised of three components:

1) Government-wide financial statements
2) Fund financial statements
3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Folkston's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between assets plus deferred outflows and liabilities plus deferred inflows reported as *net position*. This statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the City include Water and Sewer.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and SPLOST Fund, because they are considered major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and SPLOST Fund. A budgetary comparison statement has been provided for each.

The City has a formal fund balance policy applicable to governmental funds included in its financial policies. The policy defines fund balance categories consistent with Governmental Accounting Standards Board Statement 54, sets spending priority within the categories, establishes the authority to commit and assign balances and establishes a minimum fund balance for the General Fund. In addition, the policy addresses the time period required for the General Fund to replenish any deficiency in the minimum fund balance, as well as specifying how fund balance above the recommended range may be spent. For a full discussion of the City's fund balance policy, please refer to the Notes to the Financial Statements.

Proprietary funds. The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is a considered major fund of the City.

The basic proprietary fund financial statements follow the governmental funds statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements in this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the cash of the City, assets plus deferred outflows of resources exceeded liabilities by $8,727,713 at the close of the current fiscal year. The chart below summarizes City's net position for governmental activities, business-type activities, and the government as a whole.

December 31,	Governmental Activities 2013	Governmental Activities 2014	Business-type Activities 2013	Business-type Activities 2014	Total 2013	Total 2014
Current and other assets	$ 1,596,345	$ 1,578,298	$ 1,082,332	$ 949,306	$ 2,678,677	$ 2,527,604
Capital assets	1,249,343	1,352,766	7,916,146	7,939,685	9,165,489	9,292,451
Total assets	2,845,688	2,931,064	8,998,478	8,888,991	11,844,166	11,820,055
Other liabilities	518	2,054	105,553	110,288	106,071	112,342
Long-term liabilities	0	0	3,148,020	2,980,000	3,148,020	2,980,000
Total liabilities	518	2,054	3,253,573	3,090,288	3,254,091	3,092,342
Net position:						
Net investment in Capital assets	1,249,343	1,352,766	4,768,126	4,959,685	6,017,469	6,312,451
Restricted	0	200,126	332,373	135,248	332,373	335,374
Unrestricted	1,595,827	1,376,118	644,406	703,770	2,240,233	2,079,888
Total net position	2,845,170	2,929,010	5,744,905	5,798,703	8,590,075	8,727,713

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

By far the largest portion of the City's net position, $6,312,451 (72.3%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $335,374 (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2,079,888 (23.9%) is unrestricted net position may be used to meet the government's ongoing obligations of the City.

Governmental activities during the fiscal year ended December 31, 2014, increased the City of Folkston's net position by $83,840. Business-type activities during the same period increased net position by $53,798 for a total increase of $137,638. The following chart shows the revenue and expenses by activity for the total primary government.

City of Folkston - Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
Year ended December 31,	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues						
Charges for services	$ 422,581	$ 416,889	$1,356,934	$1,375,791	$1,779,515	$1,792,680
Operating grants	43,175	50,668	0	0	43,175	50,668
Capital grants	0	200,000	0	0	0	200,000
General revenues						
Property taxes	587,688	550,261	0	0	587,688	550,261
Sales taxes	316,204	302,528	0	0	316,204	302,528
Insurance premium taxes	213,970	223,991	0	0	213,970	223,991
Franchise taxes	186,156	174,240	0	0	186,156	174,240
Alcohol taxes	59,017	62,820	0	0	59,017	62,820
Hotel/motel taxes	14,535	13,085	0	0	14,535	13,085
Unrestricted investment Earnings	1,663	2,636	4,721	5,774	6,384	8,410
Total revenues	1,844,989	1,997,118	1,361,655	1,381,565	3,206,644	3,378,683
Expenses						
Governmental activities:						
General government	361,565	390,490	0	0	361,565	390,490
Public safety	560,596	580,562	0	0	560,596	580,562
Public works	781,390	712,916	0	0	781,390	712,916
Culture & recreation	21,389	34,021	0	0	21,389	34,021
Community development	14,535	13,085	0	0	14,535	13,085
Business-type activities:						
Water & Sewer	0	0	1,356,547	1,509,971	1,356,547	1,509,971
Total expenses	1,739,475	1,731,074	1,356,547	1,509,971	3,096,022	3,241,045
Increase (decrease) in net position before transfers	105,514	266,044	5,108	(128,406)	110,622	137,638
Transfers	14,877	(182,204)	(14,877)	182,204	0	0
Increase (decrease) in Net position	120,391	83,840	(9,769)	53,798	110,622	137,638
Net Position, beginning	2,724,779	2,845,170	5,754,674	5,744,905	8,479,453	8,590,075
Net Position, ending	$2,845,170	$2,929,010	$5,744,905	$5,798,703	$8,590,075	$8,727,713

Year ended December 31,	Total 2013	Total 2014	Increase (Decrease)	Percentage Change
Revenues:				
Program revenues				
Charges for services	$1,779,515	$1,792,680	$ 13,165	1%
Operating grants	43,175	50,668	7,493	17%
Capital grants	0	200,000	200,000	100%
General revenues				
Property taxes	587,688	550,261	(37,427)	-6%
Sales taxes	316,204	302,528	(13,676)	-4%
Insurance premium taxes	213,970	223,991	10,021	5%
Franchise taxes	186,156	174,240	(11,916)	-6%
Alcohol taxes	59,017	62,820	3,803	6%
Hotel/motel taxes	14,535	13,085	(1,450)	-1%
Unrestricted investment Earnings	6,384	8,410	2,026	32%
Total revenues	3,206,644	3,378,683	172,039	5%
Expenses				
Governmental activities:				
General government	349,565	390,490	40,925	12%
Public safety	560,596	580,562	19,966	4%
Public works	781,390	712,916	(68,474)	-9%
Culture & recreation	33,389	34,021	632	2%
Community development	14,535	13,085	(1,450)	-10%
Business-type activities:				
Water & Sewer	1,356,547	1,509,971	153,424	11%
Total expenses	3,096,022	3,241,045	145,023	5%
Increase (decrease) in net position before transfers	110,622	137,638	27,016	24%
Transfers	0	0	0	0
Increase (decrease) in Net position	110,622	137,638	27,016	24%
Net Position, beginning	8,479,453	8,590,075	110,622	1%
Net Position, ending	$8,590,075	$8,727,713	$ 137,638	2%

Capital grants increased $200,000 due to receiving 2014 SPLOST funds from Charlton County to be used for Water and Sewer Capital improvements.

Operating grants increased due to Department of Transportation LMIG funds.

Financial Analysis of the Government's Funds

The City of Folkston uses fund accounting which ensures and demonstrates compliance with finance-related legal requirements.

Governmental Funds:

The City of Folkston has two major governmental funds, which are the General Fund and the SPLOST Fund.

The chief operating fund of the government is the General Fund. As of December 31, 2014, the General Fund had a fund balance of $1,376,118. This is a decrease of $219,709 from the beginning fund balance. Of the total amount, $756,300 constitutes "unassigned fund balance" which is available for spending at the government's discretion. The General Fund Budget FY2014 increased which encompasses some one-time items and to market the City.

The SPLOST Fund is presented as a major governmental fund. The SPLOST Funds are used to account for projects constructed with special purpose local option sales tax. The SPLOST 2014 is a disbursement per intergovernmental agreements with Charlton County. The SPLOST Fund is a major fund in most years. The fund balance of $200,126 is restricted for SPLOST projects.

The fund balance for the other governmental fund did not change due to it being used as a pass-thru for Hotel/Motel Tax funds.

Business-type Activities Funds:

The enterprise fund, which is the City's Water & Sewer Fund, showed a cash and cash equivalents balance of $816,028 at the end of the fiscal year ended December 31, 2014. Of this amount none is restricted.

The Water and Sewer Fund had an ending net position of $5,798,703 as of December 31, 2014. This was an increase of $53,798 from the previous year. The cash was used to refinance the Revenue Bonds.

Financial Analysis of the Government's Funds

General fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2014 original budget was $2,094,856. The original budget was amended but no additional funds were added. All changes to the original budget were to shift expense items within budgeted categories.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year ended December 31, 2014, governmental activities and business-type activities had capital assets $9,292,451 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment. This represents a $126,962 or 1% increase. The governmental activities increased 8% due to the purchase of equipment. Business-type activities increased 2% due to water and sewer improvements.

For governmental activities buildings and vehicles increased by $217,184 due to purchase of a shelter, garbage truck and police vehicles.

For business-type activities, system improvements and equipment increased by $414,568 due to purchase of $212,630 system improvements and sewer equipment of $201,938.

City of Folkston - Capital Assets (Net of Depreciation)
December 31, 2014

	Governmental Activities	Business-type Activities	Total
Land	$ 52,976	$ 100,000	$ 152,976
Infrastructure	656,708	7,566,161	8,222,869
Buildings	323,976	58,354	382,330
Equipment	50,990	215,170	266,160
Vehicles	268,116	0	268,116
Total	$ 1,352,766	$ 7,939,685	$ 9,292,451

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report.

Debt Administration. The City's total long-term debt consists of revenue bonds.

At December 31, 2014, the City had no long-term debt related to governmental activities and $2,980,000 of outstanding debt related to business-type activities, compared to $3,148,020 in the previous year. This is a decrease of $168,020.

At the end of 2014, the business activities had bonded debt of $2,980,000 secured by revenues of the water and sewer system. The City maintains an "A" rating from Standard & Poor's.

Additional information on the City's debt can be found in the Notes to Financial Statements in this report.

Factors affecting the FY 2015 Budget:

The FY 2015 city-wide budget will include capital projects from SPLOST funds, a local maintenance grant (for roads) and a debt service principal payment on the 2014 bond debt payment.

The City of Folkston started the initial planning of budget preparation by evaluating what "Quality of Life" in Folkston is and how to support the community. The Mayor and Council of the City of Folkston considered many factors when approving the City's FY 2015 budget and were very aware of the present economic conditions and the effect on its citizens.

The City is looking forward to growth in the near future. The City of Folkston will continue its "Quality of Life" efforts by focusing on providing the most responsive and progressive public services, within the resources provided, so that our citizens can enjoy the best possible quality of life.

The City continues to work toward bringing in new business and retaining business in Folkston. The following tools will be considered to assist the City in this effort.

1. Identify vendors conducting business with various entities (i.e. businesses, schools, etc.) to ascertain potential opportunities to local vendors
2. Continue business recruiting
3. Develop a marketing plan for the community
4. Promote appearance and safety at City limits

The FY 2015 projections continue to be conservative, yet realistic.

Requests for Information

This financial report is designed to provide a general overview of the City of Folkston finances for citizens, taxpayers, customers, investors and creditors and all others with an interest in the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Finance Department at the City of Folkston, 541 First Street, Folkston, Georgia 31537, or by telephone at 912-496-2563.

CITY OF FOLKSTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash & cash equivalents	$1,529,057	$ 680,788	$2,209,845
Receivables	24,110	125,596	149,706
Inventories	0	32,805	32,805
Internal balances	25,131	(25,131)	0
Restricted assets	0	135,248	135,248
Capital Assets (Note 5)			
Land and improvements	52,976	100,000	152,976
Other capital assets, net of depreciation	1,299,790	7,839,685	9,139,475
Total capital assets	1,352,766	7,939,685	9,292,451
Total assets	$2,931,064	$8,888,991	$11,820,055
LIABILITIES			
Accounts payable and accrued expenses	$ 2,054	$ 0	$ 2,054
Deposits	0	110,288	110,288
Notes Payable	0	0	0
Long-term liabilities (Note 7)			
Due within one year	0	118,750	118,750
Due in more than one year	0	2,861,250	2,861,250
Total liabilities	2,054	3,090,288	3,092,342
NET POSITION			
Net investment in capital assets	1,352,766	4,959,685	6,312,451
Restricted for:			
Debt service	0	135,248	135,248
SPLOST	200,126	0	200,126
Unrestricted (deficit)	1,376,118	703,770	2,079,888
Total net position	2,929,010	5,798,703	8,727,713
Total liabilities and net position	$2,931,064	$8,888,991	$11,820,055

The accompanying notes are an integral part of these financial statements.

CITY OF FOLKSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expense	PROGRAM REVENUES: Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Government activities							
General government	$ 390,490	$ 82,827	$ 0	$ 0	$ (307,663)	$ 0	$ (307,663)
Public safety	580,562	168,491	0	0	(412,071)	0	(412,071)
Public works	712,916	161,951	50,668	200,000	(300,297)	0	(300,297)
Culture & recreation	34,021	3,620	0	0	(30,401)	0	(30,401)
Community development	13,085	0	0	0	(13,085)	0	(13,085)
Total	1,731,074	416,889	50,668	200,000	(1,063,517)	0	(1,063,517)
Business-type activities							
Water & sewer	1,509,971	1,375,791	0	0	0	(134,180)	(134,180)
Total	1,509,971	1,375,791	0	0	0	(134,180)	(134,180)
Total primary government	$3,241,045	$1,792,680	$ 50,668	$ 200,000	(1,063,517)	(134,180)	(1,197,697)
General revenues:							
Property taxes					550,261		550,261
Sales taxes					302,528		302,528
Insurance premium taxes					223,991		223,991
Franchise taxes					174,240		174,240
Alcohol taxes					62,820		62,820
Hotel/Motel taxes					13,085		13,085
Unrestricted investment earnings					2,636	5,774	8,410
Miscellaneous					0	0	0
Total General Revenue					1,329,561	5,774	1,335,335
Transfers					(182,204)	182,204	0
Total General Revenue and Transfers					1,147,357	187,978	1,335,335
Change in net position					83,840	53,798	137,638
Net position - beginning					2,845,170	5,744,905	8,590,075
Net position - ending					$2,929,010	$5,798,703	$8,727,713

The accompanying notes are an integral part
of these financial statements.

City of Folkston, Georgia
Balance Sheet
Governmental Funds
December 31, 2014

ASSETS	General	Other Governmental Funds (Nonmajor)	Capital Projects SPLOST Fund	Total Governmental Funds
Cash and cash equivalents	$1,328,931	$ 0	$200,126	$ 1,529,057
Receivables, net	24,110	0	0	24,110
Advance to Water & Sewer	25,131	0	0	25,131
Total Assets	$1,378,172	$ 0	$200,126	$ 1,578,298
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 2,054	$ 0	$ 0	$ 2,054
Notes payable	0	0	0	0
Total liabilities	2,054	0	0	$ 2,054
Fund Balances:				
Nonspendable	25,131	0	0	25,131
Committed	577,658	0	0	577,658
Restricted	17,029	0	200,126	217,155
Unassigned	756,300	0	0	756,300
Total fund balances	1,376,118	0	200,126	1,576,244
Total Liabilities and Fund Balances	$1,378,172	$ 0	$200,126	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Page 39)	1,352,766
Net position of governmental activities (Page 19)	$2,929,010

The accompanying notes are an integral part of these financial statements.

CITY OF FOLKSTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Other Governmental Funds (Nonmajor)	Capital Projects SPLOST Fund	Total Governmental Funds
REVENUES				
Taxes	$1,313,840	$13,085	$ 0	$ 1,326,925
Fines and forfeitures	168,491	0	0	168,491
Licenses, permits & fees	41,690	0	0	41,690
Intergovernmental	50,668	0	200,000	250,668
Charges for services	206,708	0	0	206,708
Investment earnings	2,510	0	126	2,636
Miscellaneous	0	0	0	0
Total Revenues	1,783,907	13,085	200,126	1,997,118
EXPENDITURES				
Current:				
General government	380,050	0	0	380,050
Public safety	608,516	0	0	608,516
Public works	798,825	0	0	798,825
Culture & recreation	34,021	0	0	34,021
Community development	0	13,085	0	13,085
Capital outlay	0	0	0	0
Total Expenditures	1,821,412	13,085	0	1,834,497
Excess (deficiency) of revenues over expenditures	(37,505)	(0)	200,126	162,621
OTHER FINANCIAL SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	(182,204)	(0)	0	(182,204)
Total Other Financial Sources (Uses)	(182,204)	(0)	0	(182,204)
Net change in fund balances	(219,709)	(0)	200,126	(19,583)
Fund balances - beginning	1,595,827	0	0	1,595,827
Fund balances - ending	$1,376,118	$ 0	$200,126	$1,576,244

The accompanying notes are an integral part
of these financial statements.

CITY OF FOLKSTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds (Page 23)	$ (19,583)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. (Page 39)	217,184
Depreciation recorded in the current period (Page 39)	(113,761)
Change in fund balances of governmental activities (Page 21)	$ 83,840

The accompanying notes are an integral part
of these financial statements.

CITY OF FOLKSTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds Water and Sewer
ASSETS	
Current assets	
Cash & cash equivalents	$ 680,788
Receivables, net	125,596
Inventories	32,805
Total current assets	839,189
Noncurrent assets	
Cash & cash equivalents - restricted	135,248
Capital assets	
Land and improvements	100,000
Distribution and collection systems	12,980,309
Buildings	200,000
Equipment	697,933
Less accumulated depreciation	(6,038,557)
Total capital assets	7,939,685
Total noncurrent assets	8,074,933
Total Assets	$ 8,914,122
LIABILITIES	
Current liabilities	
Accounts payable	$ 0
Customer deposits	110,288
Advance from other funds	25,131
Bonds & notes payable - current	118,750
Total current liabilities	254,169
Noncurrent liabilities	
Bonds, notes and loans payable	2,861,250
Total noncurrent liabilities	2,861,250
Total Liabilities	3,115,419
NET POSITION	
Net investment in capital assets	4,959,685
Restricted for debt services	135,248
Unrestricted	703,770
Total net position	5,798,703
Total Liabilities and Net Position	$ 8,914,122

The accompanying notes are an integral part of these financial statements.

CITY OF FOLKSTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds Water and Sewer
OPERATING REVENUES	
Charges for services	$ 1,375,791
Miscellaneous	0
Total operating revenues	1,375,791
OPERATING EXPENSES	
Personnel services	373,295
Purchased services	221,456
Other supplies and expenses	394,983
Depreciation	404,579
Total operating expenses	1,394,313
Operating income (loss)	(18,522)
NONOPERATING REVENUES (EXPENSES)	
Interest	5,774
Interest expense	(115,658)
Total Nonoperating revenues (expenses)	(109,884)
Income (loss) before contributions and transfers	(128,406)
CONTRIBUTIONS AND TRANSFERS	
Capital contributions	0
Transfers in	182,204
Transfers out	0
Net contributions and transfers	182,204
Change in net position	53,798
Total net position - beginning	5,744,905
Total net position - ending	$ 5,798,703

The accompanying notes are an integral part
of these financial statements.

CITY OF FOLKSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,379,948
Payments to suppliers	(612,198)
Payments to employees	(373,295)
Other receipts (payments)	0
Net cash provided by operating activities	394,455
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advance from other funds	(81,799)
Net cash provided by noncapital financing activities	(81,799)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
New revenue bonds issued	3,000,000
Purchases of capital assets	(428,118)
Principal paid on capital debt	(3,168,020)
Transfers in (out)	182,204
Interest paid on capital debt	(115,658)
Net cash (used) by capital and related financing activities	(529,592)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	5,774
Net cash provided by investing activities	5,774
Net (decrease) in cash and equivalents	(211,162)
Balances - beginning of the year	1,027,198
Balances - end of the year	$ 816,036
Reconciliation of total cash & cash equivalents	
Current assets - cash & cash equivalents	680,788
Noncurrent assets - restricted cash	135,248
Cash & cash equivalents	$ 816,036

The accompanying notes are an integral part

CITY OF FOLKSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds Water and Sewer
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (18,522)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	404,579
Change in assets and liabilities:	
Receivables, net	(578)
Inventories	4,241
Accounts and other payables	0
Customer deposits	4,735
Net cash provided by operating activities	$ 394,455

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Folkston, Georgia was incorporated under the laws of the State of Georgia and operates under a mayor-council form of government. The Mayor and a five member council govern the City and are elected for four year terms. The Mayor and the Council all serve on a part-time basis. The Mayor and Council appoint a City Manager who is responsible for the daily operations of the City.

The accounting and reporting policies of the City Folkston, Georgia conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units", and by the Financial Accounting Standards Board (when applicable), FASB Statements and Interpretations.

A. Financial Reporting Entity

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 61, the financial statements of the reporting entity include those of the City of Folkston. The criteria for including organizations as component units within the City's reporting entity, include whether:

a. The organization is legally separate (can sue or be sued in its own name)
b. The City holds the corporate powers of the organization
c. The City appoints a voting majority of the organization's board
d. The City is able to impose its will on the organization
e. The organization has the potential to impose a financial benefit/burden on the City
f. There is fiscal dependency by the organization on the City

Discretely Presented Component Units - Based on the GASB criteria, the City has no entities that qualify as discretely presented component units.

Blended Component Units - Based on the GASB criteria, the City has no entities that qualify as blended component units.

Joint Ventures and Related Organizations. The City is required by State law to be a member of the regional development center (SGRC). The City pays its prorata share of operating costs and would be liable for a prorata share of any unpaid liabilities if the SGRC were to go out of existence. However, the City has no material equity interest in the SGRC and it is not included in these financial statements. Neither is the Folkston Housing Authority, whose members are appointed by the Mayor, because the City has no financial interest or financial control over the Authority. Financial statements are available at both organizations' offices. At year-end there were no receivables or payables between the City and these two organizations.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net assets, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presently the following major proprietary fund:

Water and Sewer Fund -

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide and Proprietary Fund Financial Statements - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange. Nonexchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, insurance premium tax, franchise tax, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Control

The City Charter established the fiscal year as the twelve-month period beginning January 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1.

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. Prior to October 1, the City Clerk and City Manager prepare a proposed budget for the fiscal year commencing January 1.

2. The City Manager submits the proposed budget to the Mayor and Council.

3. Public hearings are held to obtain taxpayers' comments.

4. The budget is legally enacted through the passage of a resolution.

5. All revisions to the budget must be submitted to the City Council for approval.

6. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund and Proprietary Fund.

   A project length budget is adopted for all Capital Projects Funds. An operating budget is prepared for the Enterprise Fund for planning, control, cost allocation, and evaluation purposes. Budgetary amounts are not formally integrated into the Enterprise Fund general ledgers.

7. Budgetary appropriations lapse at the end of the fiscal year.

E. Encumbrances

The City does not use encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion on the applicable appropriation.

F. Deposits and Investments

Cash consists of demand and interest-bearing deposits held in banks. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. In lieu of a surety bond, a depository of public funds may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59:

a. Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or of the State of Georgia;
b. Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the counties or municipalities of the State of Georgia;
c. Bonds of any public authority created by Georgia law, if the statue authorizes such use of the bonds and they have been duly validated and there has been no default in the payment of either principal or interest;
d. Industrial revenue bonds or bonds of development authorities, created by Georgia law that have been duly validated and for which there has been no default in the payment of either principal or interest; or
e. Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the U.S. government that are fully guaranteed by the U.S. government both as to principal and interest; and debt obligations issued by the Federal Land Bank, The Federal Home Loan Bank, The Federal Intermediate Credit Bank, the Central Bank for Cooperative, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

Investments consist of certificates of deposit and are recorded at cost, which approximates market value.

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments which original maturities of three months or less.

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Inventories

Inventories consist of supplies and are recorded at the lower of weighted average cost or market.

I. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

J. Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1. City property tax revenues are recognized when levied to the extent that they result in current receivable.

Property taxes were levied on August 5, 2014. The assessed values are an approximation of market value as determined by the Charlton County Tax Assessor. Tax bills are mailed at least 60 days prior to the due date of December 20, 2014. For the fiscal year ended December 31, 2014, the collection period was October 20, 2014, to December 20, 2014.

A local option sales tax is in force. Proceeds for this tax are remitted to the City monthly and are utilized to give property tax owners tax relief.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment, except for infrastructure, with individual costs that equal or exceed $2,000 are recorded as capital assets. Infrastructure with an individual cost that is equal to or exceeds $5,000 is recorded as a capital asset. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest earned, is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20-50
Building and improvements	20-50
Water and sewer distribution system	20-50
Vehicles	4
Furniture and fixtures	10
Equipment	7
Computer equipment	7
Heavy machinery	7

Pursuant to GASB Statement No. 61, Phase 3 governments are not required to report major general infrastructure assets retroactively. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before July 1, 2003. However, they do reflect those assets that were either completed during the fiscal year or considered construction in progress at year end.

L. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Governmental activities compensated absences balances are liquidated through the General Fund. It is the City's policy to pay all annual vacation prior to year end so no compensated absences are recorded.

M. Restricted Net Position

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for the repayment of the current portion of certain long-term obligations, are classified as restricted net assets. At December 31, 2014, restricted net assets consisted of $0 in the bond sinking funds.

N. Fund Balance Presentation

Fund balances of the Governmental Funds are classified as follows:

Nonspendable. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted. This classification includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed. This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the City. Such formal action may be in the form of an ordinance or

resolution and may only be modified or rescinded by a subsequent formal action.

Assigned. This classification includes amounts that are intended by the City to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the governing body or official.

Unassigned. This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

O. Deferred Outflows/Inflows of Resources

During the year ended December 31, 2014, the City implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB 65, Items Previously Reported as Assets and Liabilities. No items were required to be considered Deferred Outflows or Deferred Inflows using this criteria.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances:

The City had no deficit fund balances at December 31, 2014.

B. Excess of expenditures over appropriations in individual departments:

The City had no departments with excess expenditures.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits and Investments

Statutes impose various restrictions on deposits and investments. These restrictions are summarized below.

Deposits: All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. A trust department must hold the collateral. During the year, the value of the collateralized property was 110% or more of uninsured deposits.

Investments: The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations. In addition, the City may invest in investment-grade bonds, commercial paper rated A-1 by Standard & Poor, or P-1 by Moody's Commercial Paper Record, repurchase agreements, and the state treasurer's investment pool. When repurchase

agreements are executed, the fair value of the securities must equal or exceed the cost of the repurchase agreement.

The bank balances of the City's deposits with financial institutions were $2,345,093. The bank balances are categorized as follows:

Deposits: The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized, including those collateralized with securities held by the pledging financial institution, not in the City's name.

Deposits, categorized by level of risk are:

	Bank Balance	Category 1	2	3
Governmental Activities	$1,529,057	$1,529,057	$0	$0
Business-Type Activities	816,036	816,036	0	0
Total	$2,345,093	$2,345,093	$0	$0

NOTE 4: RECEIVABLES AND PAYABLES

Receivables

Receivables at December 31, 2014 were as follows:

	Accounts	Taxes	Total
Governmental activities:			
General - net	$24,110	$ 0	$ 24,110
Total governmental activities	$24,110	$ 0	$ 24,110
Business-type activities:			
Water and Sewer - net	$125,596		$ 125,596
Total business-type activities	$125,596		$ 125,596

Payables at December 31, 2014 were as follows:

Vendors	Total
Governmental activities:	
General	$ 2,054
Total governmental activities	$ 2,054

Business-type activities:	
Water and Sewer	$ 0
Total business-type activities	$ 0

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government

Government activities - Net Assets Invested in Capital Assets Net of Related Debts:

	Beginning Balance	Increase	Decrease	Ending Balance
Not Being Depreciated:				
Land	$ 52,976	$ 0	$ 0	$ 52,976
Being Depreciated:				
Infrastructure	940,152	0	0	940,152
Buildings	427,003	12,532	0	439,535
Equipment	696,174	0	0	696,174
Vehicles	722,477	204,652	0	927,129
Totals	2,785,806	217,184	0	3,002,990
Less Accumulated Depreciation for:				
Infrastructure	259,941	23,503	0	283,444
Buildings	104,571	10,988	0	115,559
Equipment	626,888	18,296	0	645,184
Vehicles	598,039	60,974	0	659,013
Totals	1,589,439	113,761	0	1,703,200
Depreciable - Net	1,196,367	103,423	0	1,299,790
Capital Assets - Net	1,249,343	103,423	0	1,352,766
Notes Payable	0	0	0	0
Capital Assets Net of Related Debt	$1,249,343	$ 103,423	$ 0	$1,352,766

Current year increases in the accumulated depreciation of the capital assets were allocated to the governmental functional activities as follows:

General government	$ 10,440
Police	39,823
Public works	63,498
Total	$113,761

Business-type activities - Net Assets Invested in Capital Assets Net of Related Debts:

	Beginning Balance	Increase	Decrease	Ending Balance
Not Being Depreciated:				
Land	$ 100,000	$ 0	$ 0	$ 100,000
Being Depreciated:				
Buildings	200,000	0	0	200,000
System Improvements	12,754,130	226,179	0	12,980,309
Equipment	495,993	201,938	0	697,931
Totals	13,450,123	428,117	0	13,878,240
Less Accumulated Depreciation for:				
Buildings	136,646	5,000	0	141,646
System Improvements	5,062,004	352,144	0	5,414,148
Equipment	435,328	47,433	0	482,761
Totals	5,633,976	404,577	0	6,038,555
Depreciable - Net	7,816,145	23,540	0	7,839,685
Capital Assets - Net	7,916,145	23,540	0	7,939,685
Notes Payable	294,429	0	294,429	0
Revenue Bonds	2,853,590	3,000,000	2,873,590	2,980,000
Totals	3,148,019	3,000,000	3,168,019	2,980,000
Capital Assets Net of Related Debt	$4,768,126	$(2,976,460)	$3,168,019	$4,959,685

Construction commitments

As of December 31, 2014, the City had no commitments with respect to unfinished capital projects.

NOTE 6: INTERFUND BALANCES AND ACTIVITY

Interfund balances at December 31, 2014	
Due to General Fund	$ 25,131
Due from Proprietary Fund	(25,131)
	$ 0

The Interfund Balances were for December 2014 water and sewer expenses reimbursed in January 2015.

Transfers between funds during the year	
Transfer from General Fund	$(182,204)
Transfer to Proprietary Fund	182,204
	$ 0

The interfund transfer was for fixed assets.

Transfer to General Fund	$ 13,085
Transfer from Special Revenue Fund	(13,085)
	$ 0

The interfund transfer was to place Hotel/Motel Tax collected into the General Fund to pay tourism expenses.

NOTE 7: LONG-TERM OBLIGATIONS

Long-term debt of the proprietary fund outstanding at December 31, 2014, consisted of a 2014 Issue with a balance of $2,980,000. The Revenue Bonds were issued September 2014, with a first payment date of October 1, 2014. The annual requirements to amortize all debt outstanding as December 31, 2014, including interest, are as follows:

2014 Revenue Bonds

	Principal Balance	Principal	Interest	Total
		$	$	$
2014	$2,980,000			
2015	2,861,250	118,750	87,853	206,603
2016	2,746,250	115,000	79,985	194,985
2017	2,630,000	116,250	77,685	193,935
2018	2,510,000	120,000	75,360	195,360
2019	2,388,750	121,250	72,960	194,210
2020	2,262,500	126,250	70,535	196,785
2021	2,132,500	130,000	68,010	198,010
2022	2,001,250	131,250	65,410	196,660
2023	1,866,250	135,000	62,701	197,701
2024	1,730,000	136,250	59,663	195,913
2025	1,590,000	140,000	56,510	196,510
2026	1,447,500	142,500	53,010	195,510
2027	1,297,500	150,000	49,373	199,373
2028	1,146,250	151,250	45,322	196,572
2029	990,000	156,250	41,161	197,411
2030	830,000	160,000	36,630	196,630
2031	667,500	162,500	31,750	194,250
2032	496,250	171,250	26,062	197,312
2033	320,000	176,250	19,850	196,100
2034	138,750	181,250	12,800	194,050
2035	0	138,750	5,550	144,300
Total		$2,980,000	$1,098,180	$4,078,180

Original Bond Amount	$3,000,000
Interest Rate	2.00-4.00%
Date of Bond	8/26/2014
Purpose of Bond	Sewer Upgrades

Changes in Long Term Liabilities:

	Beginning	Additions	Reductions	Ending	Due Within One Year
Business Type Activities:					
Bonds Payable					
Revenue Bonds	$ 2,853,591	$3,000,000	$2,873,591	$ 2,980,000	$118,750
Notes Payable	294,429	0	294,429	0	0
Net Changes	$ 3,148,020	$3,000,000	$3,168,020	$ 2,980,000	$118,750

NOTE 8: RETIREMENT BENEFITS

City of Folkston 401(a) Plan (The Plan)

Plan description and funding requirements. The Plan is a defined contribution pension plan established by AXA Equitable and administered by AXA Advisors to provide retirement benefits for all full-time City employees. Plan members are allowed to make voluntary contributions to the Plan. The Plan allows, but does not require, the City to contribute 4 percent of the annual covered payroll of plan participates. Plan provisions and contribution requirements are established by the Master Plan of the Equitable Life Assurance Society of the United States and may be amended by the Equitable Life Assurance Society of the United States. All amendments must meet the acceptability of the Internal Revenue Code. Total contributions for the year ended December 31, 2014, were $16,622 by the City. Employees chose not to make any contributions during the year.

NOTE 9: RISK MANAGEMENT

The City maintains third party coverage for claims arising from property and casualty claims, general liability claims, and medical claims.

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City has joined the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. GIRMA is a city interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities - GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect, in accordance with the member government contract and related coverage descriptions, any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund, which is established by GIRMA. Other responsibilities of the City are as follows:

To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.

To select a person to serve as a Member representative.

To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising

out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.

To furnish to GIRMA such budget, operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any fund established by GIRMA being required to pay claim for loss or injuries to municipal property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

The City retains the first $5,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $5,000 deductible.

Pursuant to the official Code of Georgia Annotated, the City of Folkston became a member of GIRMA Workers' Compensation Self-Insurance Fund (WCSIF). The liability of the fund to the employees of the City of Folkston is specifically limited to such obligations as are imposed by applicable state laws against the employer or workers' compensation and/or employer's liability.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

As a part of the WCSIF, the City is obligated to pay all contributions and assessments as prescribed by the risk pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in any investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of protection furnished by the fund.

Settled claims in the past three years have not exceeded the coverages.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The City participates in a number of federal and state assisted grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The amount, if any, of disallowed expenditures discovered in future audits is expected to be immaterial.

Litigation

Based on the advice of the City attorney, there were no material claims outstanding against the City at December 31, 2014.

NOTE 11: RECONCILIATION OF TOTAL EXPENDITURES TO TOTAL EXPENSES GOVERNMENTAL ACTIVITIES

"Total expenditures" for governmental funds $1,834,497 differs from "Total expenses" for activities $1,731,074 reported in the Statement of Activities. The differences primarily arise from the long-term economic focus of the Statement of Activities versus the current spending focus of the governmental funds and expenses in the Statement of Activities are revealed in the table below. Detailed explanations of certain net or combined adjustments are also provided below.

	Governmental Fund Expenditures	Capital Related Items	Statement of Activities Expenses
Current Operating:			
General government	$ 380,050	$ 10,440	$ 390,490
Public safety	608,516	(27,954)	580,562
Public works	798,825	(85,909)	712,916
Culture and recreation	34,021	0	34,021
Community development	13,085	0	13,085
Capital Outlay	0	0	0
Totals	$1,834,497	$ (103,423)	$1,731,074
	(Page 23)	(Page 39)	(Page 20)

NOTE 12: JOINT VENTURES

Southern Georgia Regional Commission (SGRC)

The City of Folkston, Georgia, along with the cities and counties in the eight county Southeast Georgia area, is a member of the Southern Georgia Regional Commission (SGRC). Membership in a SGRC is automatic for each municipality and county in the state. The Official code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provided for the organizational structure of the SGRC. Each county and municipality in the state is required by law to pay minimum annual dues to the SGRC. The Board of the SGRC is comprised of not less than two or more than five representatives of each member county served by the SGRC. The manner of selecting such representatives from each member county is as follows:

a. The chief elected official or the chair of the board of commissioners of each county served by the SGRC shall be a member (or a designated government official).
b. One elected or appointed municipal government official from each city served by the SGRC. The mayors of the municipalities in such county shall select the municipal representative of that county.
c. Not less than ten or more than twenty public members.
d. A minority representation, the percentage of which is at least equal to the minority population of the geographical region served by the Board, as established by the latest United States Census.

The Georgia Planning Act of 1989 (OCGA 50-8-34) defines SGRC as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of a SGRC beyond its resources. (OCGA 50-8-39.1)

Complete financial statements of the Southern Georgia Regional Commission can be obtained directly from the SGRC's administrative office at 3395 Harris Road, Waycross, Georgia.

NOTE 13: FUND BALANCE

The City records five categories of fund balance as defined in Note 1, Section N. The five types are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable Fund Balance is classified by amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

	General Fund	SPLOST Fund
Nonspendable. The following fund Balance is nonspendable for:		
Advances to other funds	$25,131	
Committed. The following fund Balances are committed for:		
Committed for fixed asset replacement	$564,631	
Committed for railroad museum	9,021	
Committed for drug investigations	4,006	
	$577,658	
Restricted, The following fund Balances are restricted for:		
Restricted for Police Department	$ 16,929	
Restricted for Grant Expense	100	
Restricted for Capital Expense	0	$200,126
	$ 17,029	$200,126

NOTE 14: SUBSEQUENT EVENTS

The City has performed an evaluation of subsequent events, as defined under FASB ASC 855-10, through June 1, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF FOLKSTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual (Budgetary	Variance with
	Original	Final	Basis)	Final
Revenues				
Taxes	$1,292,900	$1,292,900	$1,313,840	$ (20,940)
Fines and forfeitures	141,700	141,700	168,491	(26,791)
Licenses and permits	32,600	32,600	41,690	(9,090)
Intergovernmental	240,572	240,572	50,668	189,904
Charges for services	183,400	183,400	206,708	(23,308)
Investment earnings	820	820	2,510	(1,690)
Miscellaneous	202,864	202,864	0	202,864
Total Revenues	2,094,856	2,094,856	1,783,907	(310,949)
Expenditures				
Current:				
General government	489,580	611,730	380,050	231,680
Public safety	649,935	618,860	608,516	10,344
Public works	927,261	823,186	798,825	24,361
Culture & recreation	28,080	41,080	34,021	7,059
Community development	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	2,094,856	2,094,856	1,821,412	273,444
Excess of revenues over (under) expenditures	0	0	(37,505)	(37,505)
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers (out)	0	0	(182,204)	(182,204)
Total Other Financing	0	0	(182,204)	(182,204)
Net Change in Fund Balance	0	0	(219,709)	$(219,709)
Fund Balance beginning	0	0	1,595,827	
Fund Balance ending	$ 0	$ 0	$1,376,118	

Note to RSI:
Budget is prepared using the accounting principles generally accepted in the United States of America.

STATE OF GEORGIA HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2014

Total Funds Expended for Tourism	$ 21,350
Revenue from Hotel/Motel Tax	13,085
Expenditures as a Percentage of the Revenue	163%

During the year ended December 31, 2014, the City of Folkston, Georgia, complied with OCGA 48-31-51 in regards to spending of the Hotel/Motel Tax as shown above. The expenditures were audited as part of the audit of the City of Folkston, Georgia with no errors found.

CITY OF FOLKSTON, GEORGIA
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS

SPLOST 2014	Budget	Beginning	Additions	Ending	Percentage Complete
Renovations, Improvement, Expansion, And Purchase Of Personal Property relating To Public Facilities	$ 200,000	$ 0	$ 0	$ 0	0%

$200,000 was received from Charlton County in 2014, for the entire amount of the SPLOST funds. The SPLOST proceeds are to be used for renovation, improvement, expansion and purchase of personal property relating to streets, sidewalks, water and wastewater system and other public facilities in the City of Folkston.

DONALD G. CREWS, CPA, PC
3924 MAIN STREET
FOLKSTON, GEORGIA 31537
TELEPHONE (912) 496-2587

INDEPENDENT ACCOUNTANT'S REPORT

I have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Folkston's compliance during the fiscal year ended December 31, 2014, with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for the following grant award:

Grant Number		
13p-x-024-2-5587	CDBG Grant	$500,000

Management is responsible for the City of Folkston, Georgia's compliance with this requirement. My responsibility is to express an opinion on management's assertion about the City of Folkston's compliance based on my examination.

My examination was made in accordance with standards established by the American Institute of Certified Accountants and, accordingly, included examining, on a test basis, evidence about City of Folkston, Georgia's compliance with this requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on City of Folkston, Georgia's compliance with the specified requirement.

In my opinion, management's assertion that City of Folkston, Georgia complied with the aforementioned requirement for the fiscal year ended December 31, 2008, is fairly stated, in all material respects.

Donald G. Crews, CPA

Donald G. Crews, CPA
Folkston, Georgia
June 1, 2015

Member
American Institute of Certified Public Accountants
Georgia Society of Certified Public Accountants

STATE OF GEORGIA GRANT CERTIFICATION FORM

A.	Local Government:	City of Folkston	
B.	Information for Year Ended:	December 31, 2014	
C.	State Awarding Agency:	Dept. of Community Affairs	
D.	Grant Identification Number:	13p-x-024-2-5587	
E.	Grant Title:	CDBG Grant	
F.	Grant Award Date:	September 6, 2013	
G.	Grant Amount:	$500,000	
H.	Balance - Beginning:	$500,000	$ 0
I.	Grant Receipts:	$ 10,000	
J.	Grant Disbursements:		$ 10,000
K.	Balance - Current Year:	$490,000	$ 10,000

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official

Date June 1, 2015

Signature of Chief Financial Officer

Date June 1, 2015

DONALD G. CREWS, CPA, PC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council
The City of Folkston
Folkston, Georgia

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Folkston (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Folkston's basic financial statements and have issued my report thereon dated June 1, 2015.

Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald G. Crews, CPA

Donald G. Crews, CPA
Folkston, Georgia
June 1, 2015